

CONFIDENTIAL

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OFFICE OF LEGISLATIVE COUNSEL

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I had occasion this morning to visit with Mr. Bill Gibb, Tax Legislative Counsel for the Treasury Department. Mr. Gibb had accompanied Assistance Secretary of Treasury, Mr. Surrey, to our hearing before the Ways and Means Committee, and had requested a memo for their use in justifying the tax exclusion sought in Title III of our Act. I gave Mr. Gibb two copies of our Act, two copies of the pertinent provision of the Foreign Service Act (Sec. 831) and two copies of our justification memo. These were discussed for the next half hour.

Mr. Gibb said that the Internal Revenue Service was currently researching the legislative history of 26 U. S. C. 104 (a) (4) in an effort to ascertain the reason underlining the decision to accord the military, Foreign Service, etc., the special tax treatment. He expected that memo to be ready soon and felt that it would be much like ours. He was quite sympathetic to our position.

Mr. Gibb asked if we would prepare a short paper outlining the difference between the compensation available to a disabled Agency employee under our Act, and that which he could receive under FECA and/or Civil Service. I advised him the Ways and Means Committee was primarily interested not in how much a retired disabled received, but rather in whether or not it should be taxed, that Subcommittee No. 1 of the House Armed Services Committee had already approved of the annuity to be given such an individual. He agreed, but went on to say that he would like to have a general comparison available so he could tell the Committee that CIA is not trying to get greater disability benefits than are available under FECA but is interested only in similar tax treatment of those benefits. I assured him that I would draft something along these lines and send it over to him.

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Jim Kendall inquired what story the Stennis Subcommittee could give out to counter the Allen-Scott articles and others to the effect that reconnaissance over Cuba had been stopped. On a classified basis Kendall was informed that, of course, they had not stopped but since we are not conducting the flights and since this was a policy matter, we would not be able to advise him what they could say publicly and suggested that he might wish to talk either with DOD or State. Kendall saw our position and was appreciative of our suggestion.